

Message Text

CONFIDENTIAL

PAGE 01 LUSAKA 01959 01 OF 02 251311Z

51

ACTION OPIC-12

INFO OCT-01 AF-10 ISO-00 AID-20 EB-11 SSO-00 L-03 TRSE-00

IGA-02 CIEP-03 COME-00 STR-08 SP-03 OIC-04 RSC-01

DRC-01 /079 W

----- 010839

O 251141Z SEP 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 712

C O N F I D E N T I A L SECTION 1 OF 2 LUSAKA 1959

PLEASE PASS OPIC (GREGG), AID (KNOLL) AND E (COURTNEY)

EO 11652: GDS

TAGS: EFIN, ZA

SUBJECT: TOWARD SOLUTION OF TAW AND DORON CASES

1. BELIEVE GRZ INTENTION PURCHASE 100 GM TRUCKS IMMEDIATELY (LUSAKA 1935) AND ITS MOUNTING ANXIETY SECURE DORON SIMULATOR OFFER UNIQUE OPPORTUNITY TO PROTECT OUR OVERALL TRADE INTERESTS IN ZAMBIA AS WELL AS THOSE OF TAW WHICH IN LITIGATION WITH GRZ. WE NEED FIND WAY TO HELP FACILITATE THESE U.S. EXPORTS SO AS TO EASE RATHER THAN EXACERBATE FEELINGS BUILDING UP AGAINST TAW AND USG.

2. EMBASSY PROPOSES IMMEDIATE WASHINGTON CONSIDERATION OF A) REMOVAL OF OBSTACLE TO GRZ PURCHASE OF \$550,000 DORON SIMULATOR PACKAGE UNDER AID PROGRAM LOAN, AS GRZ DESIRES, RATHER THAN USE ITS OWN RESOURCES, AND B) UTILIZATION OF \$4,450,000 LOAN BALANCE FOR SALE TO GRZ OF 100 GM TRUCKS WITH TRAILERS. (AS NOTED STATE 188226, GM HAS OFFERED TRUCKS AT \$33,000 APIECE FAS BALTIMORE, AND IT OUR UNDERSTANDING THE PRICE OF THE FREUHAUF TRAILERS IS APPROXIMATELY \$8,000. AT A TOTAL OF \$41,000 PER TRUCK WITH TRAILER, \$4,450,000 WOULD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LUSAKA 01959 01 OF 02 251311Z

COVER 100 SETS, LEAVING \$350,000 UNEXPENDED.)

3. ABOVE PROPOSAL OBVIOUSLY NOT WHOLLY SATISFACTORY TO EITHER GRZ OR TAW AS IT INVOLVES CONCESSIONS BY BOTH, BUT HOPEFULLY IT WOULD SET STAGE FOR AMICABLE SETTLEMENT OF LONG-STANDING TAW-GRZ DISPUTE AND REMOVE QUESTIONS ABOUT U.S. TRADE POLICY.

4. CONTINGENCY COMMITTEE DIRECTOR MUTTENDANGO HAS MADE IT PERFECTLY CLEAR GRZ DOES NOT RPT NOT WANT TO USE PROGRAM LOAN FOR GM TRUCKS (LUSAKA 1935, 1891) BECUASE HE HAS AGREEMENT WITH MIN PLANNING AND FINANCE CHIKWANDA FOR FINANCING PURCHASE 100 TRUCKS BY OTHER MEANS. WE THINK THAT FIRMNESS OF ARRANGEMENT OPEN TO DOUBT AND THAT WE COULD PERSUADE GRZ TO DRAW DOWN AID PROGRAM LOAN. MOREOVER, MUTTENDANGO CONCERNED OVER PROSPECT OF FURTHER ZAMBIAN BUREAUCRATIC DELAY INVOLVED IN OBTAINING OTHER FUNDS FOR DORON SIMULATOR AND OTHER PURCHASES PLANNED UNDER AID PROGRAM LOAN. WE HAVE LITTLE DOUBT HIS CONCERN JUSTIFIED. MUTTENDANGO WOULD HAVE SERIOUS PROBLEM IF NOW OBLIGED TO SHIFT FROM AID LOAN TO OTHER RESOURCES FOR PROCUREMENT OF DORON SIMULATOR.

5. IN OUR OPINION, THERE GOOD CHANCE GRZ WOULD RELUCTANTLY CONCUR IN USE OF LOAN FOR 100 GM TRUCKS WITH TRAILERS IF, IN RETURN, THE DORON SIMULATOR TRANSACTION WERE ALLOWED TO GO FORWARD IMMEDIATELY. THE PRIORITY OF THE SIMULATOR PROCUREMENT UNDER THE LOAN HAS BEEN REPEATEDLY IMPRESSED UPON US AND WITH INCREASING URGENCY BY MUTTENDANGO, MOFA SENIOR ECONOMIST LICHILANA, NTC MANAGING DIRECTOR KAFUMUKACHE, CONTINGENCY COMMITTEE'S BENDIX, AND NTC TRAINING DIRECTOR MILLS (E.G., LUSAKA 1662, .80, 1828, 1891). IN MOST RECENT CALL TO EMBASSY SEPTEMBER 20, MUTTENDANGO SAID DORON SIMULATOR "IS VITAL EQUIPMENT WHICH WE NEED VERY, VERY BADLY. THE FILMING SHOULD START IMMEDIATELY, ESPECIALLY WITH THE NEW GM TRUCKS COMING."

CONFIDENTIAL

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PAGE 03 LUSAKA 01959 01 OF 02 251311Z

6. REALIZE TAW PRESIDENT TOM WOOD VERY ANXIOUS TO OBTAIN GLOBAL SOLUTION OF HIS CONTRUCTUAL DISPUTE THROUGH ARBITRATIONOR DIRECT NEGOTIATION WITH GRZ WHICH WOULD INCLUDE SMALLER SIMULATOR BUT MORE IMPORTANTLY THE 62 TRUCKS ALREADY IN ZAMBIA, AS WELL AS UNSHIPED GM TRUCKS IN U.S. WE CERTAINLY SYMPATHETIC TO NEED TO PROTECT LEGITIMATE

BUSINESS INTEREST OF AN ADVERSELY AFFECTED
U.S. FIRM WHOSE CONTRACT ABRUPTLY CANCELLED BY
GRZ. WE ALSO AWARE THAT CERTAIN POLITICAL PRO-
BLEMS COULD BE POSED BY SUGGESTED USE OF LOAN
FOR ITEM WOOD CONTENDS IS REPLACEMENT FOR SOME
OF HIS EQUIPMENT INVOLVED IN DISPUTE, OR BY ANY USG
ACTION WHICH HE MIGHT FEEL PREJUDICES HIS CLAIM
AGAINST GRZ. BUT TIME HAS PROVEN THAT NEAT AND TIDY,
ALL-IN-ONE SOLUTION WOOD DESIRES NOT
REALISTIC EXPECTATION. THIS RAISES QUESTION OF
IMPLICATIONS FOR U.S. TRADE POLICY OF PRESENT
RESTRAINING POLICY ON USE OF AID LOAN FOR DORON
SIMULATOR PURCHASE. WOULD HOPE AND EXPECT WOOD WILL BE
FLEXIBLE RE SIMULATOR BECAUSE OF LINKAGE WITH
GM TRUCK SALE. HE FIRMLY CONFIDENT ABOUT SOLIDIR AND
PROSPECTIVE SUCCESS OF HIS ARBITRATION CASE. THEREFORE, ASIDE
FROM CREATING PROBLEM FOR USG, THERE SEEMS LITTLE POINT
IN HIS MAKING PARTICULAR DIFFICULTY ABOUT 80
THOUSAND DOLLAR ITEM IN 26 MILLION DOLLAR CLAIM.
WOOD HIMSELF RECOGNIZES THAT BLOC ON SIMULATOR IS
NOT IN ITSELF AN EFFECTIVE LEVER FOR PUSHING
ZAMBIANS TO NEGOTIATING TABLE. RATHER, FILING OF ARBITRATION
SUIT WITH ICC IN LATE AUGUST AND THREAT OF POTENTIAL DAMAGE
TO ZAMBIA'S INTERNATIONAL BUSINESS STANDING FROM SUCH ACT-
ION MORE LIKELY TO WIN THE TRICK.

7. PRESUME WOOD AS INTERESTED AS USG, ESPECIALLY OPIC,
AND THE SEVERAL BANKS AND OTHER COMPANIES INVOLVED
IN TAW DEAL TO START CASH FLOW SO LONG HELD UP.
THIS COULD BE ACHIEVED BY DRAW DOWN OF AID
PROGRAM LOAN TO COVER GM TRUCKS AND REDUCE
PART OF HIS CLAIM.

CONFIDENTIAL

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PAGE 01 LUSAKA 01959 02 OF 02 251322Z

51

ACTION OPIC-12

INFO OCT-01 AF-10 ISO-00 AID-20 EB-11 SSO-00 L-03 TRSE-00

IGA-02 CIEP-03 COME-00 STR-08 SP-03 OIC-04 RSC-01

DRC-01 /079 W

----- 010952

O 251141Z SEP 74

FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC IMMEDIATE 713

C O N F I D E N T I A L SECTION 2 OF 2 LUSAKA 1959

8. WOOD HAS ARGUED GRZ ACQUISITION OF DORON SIMULATOR WOULD SERIOUSLY UNDERMINE POSSIBILITY (AS PART OF EVENTUAL SETTLEMENT WITH GRZ) OF DISPOSING OF THE \$80,000 SIMULATOR HE ALREADY HAS IN ZAMBIA. WE DOUBT THIS IN FACT SERIOUS PROBLEM. THOUGH ONLY SINGLE-PLACE AND LESS VERSATILE AND FLEXIBLE THAN SOPHISTICATED 8-PLACE DORON SIMULATOR, TAW SIMULATOR ATTRACTED FAVORABLE ATTENTION DURING ITS BRIEF USE HERE PRIOR TO GRZ CANCELLATION TAW CONTRACT. GIVEN HIGH ROAD ACCIDENT RATE IN ZAMBIA AND REPEATED OFFICIAL AND PRIVATE ASSERTIONS OF NEED FOR MUCH IMPROVED DRIVER TRAINING PROGRAM, INTEREST IN SIMULATORS EXTENDS BEYOND NTC AND THERE SHOULD BE LITTLE PROBLEM IN FINDING PURCHASER FOR TAW'S MODEL. WHILE EMBASSY, OF COURSE, NOT INJECTING ITSELF INTO TAW-GRZ NEGOTIATION, IT EXPLORING INTEREST IN SIMULATORS OUTSIDE NTC AMONG DRIVER LICENSING AUTHORITIES AND ENTITIES CONCERNED WITH ROAD SAFETY.

9. PROPOSED USE OF PROGRAM LOAN FOR GM TRUCKS AND DORON SIMULATOR, MOREOVER, SHOULD NOT PREJUDICE PROSPECTIVE SALE OF TAW'S 62 TRUCKS AND TRAILERS NOW SIDELINED IN ZAMBIA. AS DEPARTMENT AWARE, SOLICITOR GENERAL CHIBESAKUNDA AS WELL AS MUTTENDANGO HAVE EXPRESSED INTEREST IN THESE TRUCKS AND FORMER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LUSAKA 01959 02 OF 02 251322Z

HAS ASKED FOR NEGOTIATION WITH TAW ON THEIR PURCHASE (LUSAKA 1916). ALSON, FONMIN MWAANGA COULD PROBABLY BE COUNTED ON TO RESIST ANY BACK-PEDALING ON GRZ EXPRESSED INTENTION TO BUY EQUIPMENT HERE AND TO REACH AMICABLE SOLUTION.

10. IN MAKING OUR PROPOSAL, WE HAVE VERY MUCH IN MIND STRENGTHENING USG POSITION AS HONEST BROKER SEEKING TO FACILITATE MOVEMENT TOWARD TAW SETTLEMENT AND TO CLEAR WAY FOR MEETING ZAMBIAN EQUIPMENT NEEDS. BUT OF EQUAL IF NOT MORE IMPORTANCE IS WHAT UNSETTLED NATURE OF SIMULATOR AND TAW CASES MAY BE DOING IN NEGATIVE WAY TO OUR OVERALL, LONG-TERM U.S. COMMERCIAL INTERESTS IN ZAMBIA.

11. U.S. HAS HIGH REPUTATION HERE FOR QUALITY, RELIABLE TRANSPORT EQUIPMENT. WE HAVE DONE WELL

ON RAILWAY EQUIPMENT AND THROUGH TAW'S PIONEERING EFFORTS WERE BEGINNING TO DO WELL ON ROAD TRANSPORT WHEN U.S. FIRM'S CONTRACT CANCELLED. IN INTERIM, EUROPEAN AND JAPANESE SUPPLIERS HAVE STOLEN MARCH BUT THEIR EQUIPMENT FOR TRANSPORT EMERGENCY HAS FALLEN SHORT OF ZAMBIAN EXPECTATIONS. U.S. EQUIPMENT (GM TRUCKS) IS AGAIN BEING SERIOUSLY RECONSIDERED. IMPORTANT THAT U.S. VEHICLES BE BROUGHT INTO ZAMBIA SOONEST TO DEMONSTRATE THEIR TECHNICAL SUPERIORITY AND PERFORMANCE, AS WOOD HAS SO RIGHTLY SAID MANY TIMES OF GM VEHICLES. IT IS ALSO IMPORTANT FOR THE U.S. TO GAIN THIS TOE-HOLD IN THE 2-3 YEAR INTERIM BEFORE GERMAN-JAPANESE TRUCK ASSEMBLY PLANT (LUSAKA 1948) BECOMES OPERATIONAL IN ZAMBIA.

12. UNLESS WE ARE PREPARED TO BREAK PRESENT LOG JAM IN SOME WAY WHICH WOULD BE FAIR AND EQUAL PROTECTION TO ALL U.S. INTERESTS AND NOT PREJUDICE ANY, WE MAY SHORTLY BE OBLIGED TO LEVEL WITH GRZ AND INFORM IT WE CANNOT APPROVE SIMULATOR PROCUREMENT UNDER LOAN FOR POLITICAL REASONS UNTIL THERE SETTLEMENT WITH TAW. WE CANNOT RECOMMEND TAKING THIS STEP NOW BECAUSE OF DAMAGE WE BELIEVE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LUSAKA 01959 02 OF 02 251322Z

IT WOULD DO TO OUR PRESENT AND FUTURE COMMERCIAL INTERESTS AND U.S. TRADE POLICY.

13. TO BEST OF OUR KNOWLEDGE, GRZ HAS NOT YET BEEN

INFORMED OF TAW ARBITRATION MOVE. WE HAVE NO WAY OF KNOWING LIKELY ZAMBIAN REACTION, BUT MUST ASSUME IT WOULD INDUCE SOME MOVEMENT TOWARD RESOLUTION OF DIFFERENCES WITH TAW, GIVEN ZAMBIAN HISTORY WITH ARBITRATION (I.E., QUICK SETTLEMENTS IN JAPANESE AND YUGOSLAV CASES).

14. IN ORDER SERIOUSLY PURSUE EMBASSY PROPOSAL, AID GENERAL COUNSEL OPINION ON USE OF PROGRAM LOAN FOR GM TRUCKS URGENTLY NEEDED. WE UNDERSTAND OPINION LIKELY TO BE AFFIRMATIVE BUT THERE PROBLEM OF AVOIDING PRECEDENT WHICH COULD COMPLICATE OTHER AID CASES.

15. AN ALTERNATIVE TO EMBASSY PROPOSAL IS OBVIOUSLY TO CONTINUE AS AT PRESENT, WAITING FOR ARBITRATION TO PROCEED AND, WHILE HOLDING UP SIMULATOR, SEE IN MEANTIME WHETHER INDEED MUTTENDANGO IN POSITION

CLOSE DEAL FOR IMMEDIATE PURCHASE 100 GM TRUCKS FROM RESOURCES OTHER THAN PROGRAM LOAN. THIS COURSE INEVITABLY INVOLVES FURTHER DELAY. GRZ HAS NOT YET BEEN FORMALLY INFORMED TAW HAS FILED FOR ARBITRATION. DORON SIMULATOR PROCURE-MENT AND AID PROGRAM LOAN DRAWDOWN WILL REMAIN STALLED. AND IT APPEARS FROM STATE 210631 MUTTENDANGO MAY NOT SECURE THE GM TRUCKS HE WANTS UNLESS THERE IMMEDIATE ACTION. NONE OF THIS, IT SEEMS TO US, DESIRABLE OR ADVANTAGEOUS FROM EITHER TAW OR USG POINT OF VIEW.

16. EMBASSY PROPOSAL OFFERS START IN PROVIDING SOME MEASURE OF SATISFACTION TO ALL INTERESTED PARTIES WITH ADMITTED DISADVANTAGES TO TAW AND GRZ, BUT NONE OF WHICH WOULD SERIOUSLY UNDERMINE MAJOR CLAIMS IN DISPUTE OR INTERFERE WITH ARBITRA-
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LUSAKA 01959 02 OF 02 251322Z

TION OR NEGOTIATION. GRZ COULD SECURE VERY MUCH WANTED DORON SIMULATOR WITHOUT FURTHER DELAY OR PROBLEMS OF RELEASING ITS OWN RESOURCES. FOR BOTH TAW AND GRZ DIMENSIONS OF THEIR DISPUTE SHOULD BE MARKEDLY REDUCED. IT WOULD BENEFIT OPIC AND THE SEVERAL AFFECTED COMPANIES AND BANKS WHOSE PRESSURE ON TAW WOULD PRESUMABLY RELAX TO SOME EXTENT. THE PROGRAM LOAN COULD BE DRAWN DOWN AND IT WOULD HEAD OFF PROSPECTIVE IRRITATIONS AND FRUSTRATIONS IN OUR BILATERAL RELATIONS.

17. WOULD APPRECIATE URGENT WASHINGTON CONSIDERATION OF EMBASSY PROPOSAL. AMBASSADOR HAS APPOINTMENT WITH MUTTENDANGO FRIDAY, SEPTEMBER 27, AND WILL WISH MAKE TENTATIVE EXPLORATION OF PROPOSITION WITH HIM AT THAT TIME. URGE DEPARTMENT MAKE EVERY EFFORT DISCUSS ISSUES WITH MINPLANNING AND FINANCE CHIKWANDA AND HIS PERMSEC MWANANSHIKU WHO WILL BE IN WASHINGTON FOR SEPTEMBER 30 - OCTOBER 4 IBRD/IMF MEETINGS. FEEL CERTAIN MUTTENDANGO, WHO WILL NEED CONSULT WITH CHIKWANDA IN ANY EVENT, WILL WISH TO JOIN SUCH WASHINGTON TALKS.
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Message Attributes

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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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